

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Saginaw County Community Mental Health	County SAGINAW
Audit Date 9/30/04	Opinion Date 1/11/05	Date Accountant Report Submitted to State: 4-18-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

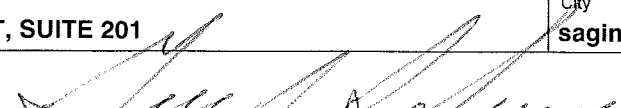
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

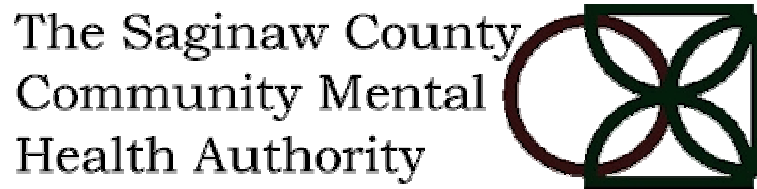
You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 5800 GRATIOT, SUITE 201		City saginaw	State mi
Accountant Signature 		ZIP 48605	Date 3/25/05



Saginaw, Michigan

Financial Statements

For the Year Ended September 30, 2004

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

January 11, 2005

Members of the Board
Saginaw County Community
Mental Health Authority
Saginaw, Michigan

We have audited the accompanying financial statements of the business-type activities, the major fund and the aggregate remaining fund information of the ***Saginaw County Community Mental Health Authority***, as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, the major fund and the aggregate remaining fund information of the Authority, as of September 30, 2004, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Saginaw County Community Mental Health Authority's* basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Saginaw County Community Mental Health Authority's Management's Discussion and Analysis (MD&A) Fiscal Year Ended September 30, 2004

A Management's Discussion and Analysis (MD&A) is an easily readable analysis of the financial activities based on known facts, decisions, and conditions. It provides information in a fair and objective manner, with the goal of assisting users in assessing whether the financial position has improved or deteriorated as a result of the year's operations.

The following financial data is the management's discussion and analysis of the three financial reports that have been audited by the external audit team, The Rehmann Group, who were contracted by the Board of Directors of SCCMHA to complete an independent review and express an opinion with regard to the fair presentation of the financial statements prepared by the staff at SCCMHA.

The following three financial statements have been prepared to report the current financial position and activity of Saginaw County Community Mental Health Authority (SCCMHA) for fiscal year 2003/2004.

Statement of Net Assets

This statement reports combined assets and liabilities and fund net assets for the enterprise fund as well as the internal service funds. It shows the current financial position as well as the breakdown of total net assets for restricted or unrestricted purposes.

Statement of Activities and Proprietary Fund Revenues, Expenses, and Changes in Fund Net Assets

This statement is used to disclose how both operating and non-operating revenues and expenses are generated within the enterprise fund and internal service funds, as well as how operating expenses are split between service populations. This report totals the expenses against revenues that have been generated for determination of the change in net assets, which is also shown as total net assets on the Statement of Net Assets.

Statement of Cash Flows

The total cash and cash equivalents at the end of the year is calculated by determining the change in cash flow totals during the year. This report shows summarized change in cash flow, which reconciles to the net increase (decrease) in cash and cash equivalents and is then added to cash and cash equivalents at the beginning of the year. The total of cash and cash equivalents at the end of the year is reported in the assets section of the Statement of Net Assets.

The following summarized financial statements have been prepared to help facilitate this discussion and analysis, and also to assist the reader in understanding the data that explains the financial position.

Statement of Net Assets

	<u>9/30/2004</u>	<u>9/30/2003</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 13,475,669	\$ 10,135,000	\$ 3,340,669
Long term investments (*Note)	5,401,406	4,336,950	1,064,456
Capital assets, net of accum. depr.	<u>2,417,297</u>	<u>2,189,188</u>	<u>228,109</u>
Total assets	<u>21,294,372</u>	<u>16,661,138</u>	<u>4,633,234</u>
Liabilities			
Current liabilities	9,836,366	5,439,464	4,396,902
Long term liabilities	<u>976,649</u>	<u>1,109,832</u>	<u>(133,183)</u>
Total liabilities	<u>10,813,015</u>	<u>6,549,296</u>	<u>4,263,719</u>
Net assets			
Investments in capital assets, net of related debit	1,715,707	1,367,720	347,987
Restricted	7,335,361	6,367,611	967,750
Unrestricted	<u>1,430,289</u>	<u>2,376,511</u>	<u>(946,222)</u>
Total net assets	<u>\$ 10,481,357</u>	<u>\$ 10,111,842</u>	<u>\$ 369,515</u>

*Note – The classification of long term investments represents the various investments that have been separately classified to cover the postemployment health insurance plan.

Summarized in this manner, the reader is able to see the comparison of FY03 and FY04 totals which have resulted in an increase of assets by \$4,633,234 and an increase of liabilities by the amount of \$4,263,719. Both of these totals and the increase in total net assets in the amount of \$369,515 will be discussed in detail on the following two pages.

ASSETS

The following breakdown of assets helps to identify where the changes occurred within the various classifications of assets between FY03 and FY04

Bold items represent the current position for each classification of asset.

	Two Year Comparison
Increase (decrease) in cash	\$ 309,373
Increase (decrease) in receivables	(5,237)
Increase (decrease) in due from MDCH	744,664
Increase (decrease) in short term investments	2,258,272
Increase (decrease) in long term investments	1,064,456
Increase (decrease) in net capital assets	228,110
Increase (decrease) in all other assets	33,596
Total increase (decrease) in assets	<u>\$ 4,633,234</u>

In summary, the main reason for this increase in assets is due to increased cash flow. This increase in cash flow has allowed us to maintain more funds in short and long term investments.

LIABILITIES

The following breakdown of liabilities helps to identify where the changes occurred within the various classifications of liabilities between FY03 and FY04.

Bold items represent the current position for each classification of liability.

	Two Year Comparison
Increase (decrease) in accounts payables	\$ 2,129,779
Increase (decrease) in due to State of Michigan	164,305
Increase (decrease) in long term debt	(133,183)
Increase (decrease) in deferred revenue ABW	822,470
Increase (decrease) in deferred revenue Medicaid	1,320,632
Increase (decrease) in all other liabilities	<u>(40,284)</u>
Total increase (decrease) in liabilities	<u>\$ 4,263,719</u>

In summary, the increases to both accounts payable and deferred revenues resulted in the increased liabilities. The deferred ABW and Medicaid revenues will be carried over and will be available for funding in FY05.

TOTAL NET ASSETS

Our analysis of total net assets includes identification of the classification of assets as either restricted or unrestricted as set forth by the Governmental Accounting Standards Board No. 34 (GASB34).

Bold items represent the current position for each classification within net assets.

The increase in total net assets, as shown below, is a result of an increase in restricted assets and investments in capital, net of debt, and a decrease in unrestricted assets, as follows:

The change in total net assets between FY 2003 and FY 2004, is reported as follows:

	Two Year Comparison
Total increase (decrease) in investments in Capital assets, net of related debt	\$ 347,987
Total increase (decrease) in restricted assets	967,750
Total increase (decrease) in unrestricted assets	(946,222)
Increase (decrease) in total net assets	<u>\$ 369,515</u>
Change in investment in capital assets, net of related debt	
Capital assets, beginning of year	\$ 1,367,720
Capital assets, end of year	<u>1,715,707</u>
Increase (decrease) in capital assets, net of related debt	<u>\$ 347,987</u>
Change in restricted assets from FY 2003 to FY 2004:	
Restricted for earmarked contributions decrease	\$(4,770)
Restricted for post-employment benefits increase	851,677
Restricted for risk of managed care increase	<u>120,843</u>
Increase (decrease) in total restricted assets	<u>\$ 967,750</u>
Change in unrestricted assets from FY 2003 to FY 2004:	
Unrestricted funds, beginning of year	\$ 2,376,511
Unrestricted funds, ending of year	<u>1,430,289</u>
Increase (decrease) in unrestricted funds	<u>\$(946,222)</u>

In summary, the gradual shifting of total net assets to more restricted funds continued from FY03 into FY04. As a result, flexibility in the use of these funds is lost.

**Statement of Activities and Proprietary Fund Revenues, Expenses
And Changes in Fund Net Assets**

	<u>9/30/2004</u>	<u>9/30/2003</u>	<u>Increase (Decrease)</u>
Operating revenue			
Medicaid revenue	\$ 29,191,443	\$ 27,531,068	\$ 1,660,375
State general fund	7,769,164	8,895,732	(1,126,568)
Local revenue	1,388,618	1,440,919	(52,301)
Grant revenue	<u>566,061</u>	<u>561,672</u>	<u>4,389</u>
Total operating revenue	<u>38,915,286</u>	<u>38,429,391</u>	<u>485,895</u>
Operating expenses			
Program expenses			
Children with SED	2,335,479	2,214,176	121,303
Adults with SMI	17,349,897	16,748,177	601,720
Persons with DD	17,096,039	17,180,216	(84,177)
Other programs	1,717,624	1,845,803	(128,179)
Unallocated costs	23,987	19,469	4,518
Non-program	<u>509,649</u>	<u>655,739</u>	<u>(146,090)</u>
Total operating expenses	<u>39,032,675</u>	<u>38,663,580</u>	<u>369,095</u>
Operating income (loss)	(117,389)	(234,189)	116,800
Non-operating revenues (expenses)	<u>486,904</u>	<u>616,420</u>	<u>(129,516)</u>
Change in net assets	369,515	382,231	(12,716)
Net assets, beginning of year	<u>10,111,842</u>	<u>9,729,611</u>	<u>382,231</u>
Net assets, end of year	<u>\$ 10,481,357</u>	<u>\$ 10,111,842</u>	<u>\$ 369,515</u>

Operating revenues increased from FY03 levels by \$485,895 for FY04 and expenses increased by \$369,095, which resulted in the change in income from operations to a total of \$116,800 between fiscal years 2003 and 2004.

Due to the decrease of non-operating revenues for fiscal year 2004, in the amount of \$129,516, the change in net assets totals \$369,515 for the year.

Some of the changes within net assets, that created significant limitations affecting the availability of fund resources, are as follow:

Statement of Cash Flows

	<u>9/30/2004</u>	<u>9/30/2003</u>
Cash flows from operating activities provided from operations	\$ 3,818,297	\$ (149,526)
Cash flows from capital and related financing operations	(687,386)	(487,687)
Cash flows from investing operations	<u>(1,045,024)</u>	<u>(2,955,291)</u>
Net increase (decrease) in cash and cash equivalents	2,085,887	(3,592,504)
Cash and cash equivalents – beginning of year	<u>3,475,670</u>	<u>7,068,174</u>
Cash and cash equivalents – end of year	<u>\$ 5,561,557</u>	<u>\$ 3,475,670</u>

The increase in cash flows from operating activities provided from operations is due to the Medicaid rebasing and increased funding during fiscal year 2004. Also, the portion of unused Adult Benefit Waiver funds received in fiscal year 2004 will roll forward to fiscal year 2005 as general fund revenue.

Capital Assets

In order to identify some of the changes in capital assets, net of accumulated depreciation, and the effects of these changes on total net assets, the following discussion was prepared to accumulate significant events that occurred in FY 2004:

Equipment - Transportation Equipment

During the summer of fiscal year 2004, three new fifteen-passenger vans were purchased, in the amount of \$63,720, which allowed for the replacement of vans that were fully depreciated. The new vehicles should help to reduce the amount of maintenance expense necessary to keep the older vehicles operational. The full impact of this maintenance expense reduction should be recognized in FY05.

Property - Land and Buildings

Purchase of Westport Home

Increased maintenance required for the Rambo Home (which was leased prior to and through fiscal year 2003), lead to the decision to change sites for this residential setting. The owners of the Westport Home (which was vacated by SCCMHA in December, 2002 with the purchase of the Serenity Home) decided to sell the Westport home mid-year 2003, so we took this opportunity to purchase this home. The completion of this FY 04 purchase took place in December, 2003, with occupancy completed in June 2004.

The purchase of this home is considered to be a positive way to stabilize the living conditions for consumers and at the same time control costs within this residential setting. It should be noted, the stairs at the old Rambo site were believed to be an ongoing liability and the new home provides a barrier free setting.

The purchase price and interest rate of this home is listed below:

PROPERTY	AMOUNT	RATE	LOAN MATURITY	AMORTIZATION PERIOD
Westport Home	\$ 195,000	3.19%	4 Years	15 Years

Forecast

Following is a description of current known facts, decisions, or conditions that are expected to have a significant effect on the future financial position or operations.

Equipment – Computer

During the summer of 2004, Harmony and Great Plains Software was purchased as a result of a formal bid process. New software was required to meet state reporting requirements, new regulatory demands under BBA, and to promote efficiency and ease of use by staff. Currently processes and procedures are under development to allow the installation and startup of both of these software packages during the summer of 2005.

Transportation Equipment

The delivery of a new bus took place in October, 2004, which will allow the replacement of a fully depreciated bus. The impact of the purchase of this new vehicle should be recognized in FY05. The need for additional transportation equipment will be reviewed again during the second and third quarters of FY05.

Property - Land and Buildings

In February, 2005 the purchase of the Geddes Road Home (formerly known as the Swan Valley Home), was completed. The purchase of this home will allow the flexibility needed to review and restructure not only other specialized residential settings, but also the current crisis residential treatment setting for Saginaw. In May, 2005, two currently leased Saginaw County Building Authority homes (Cambridge and Glenvale) will have fully serviced debt and as previously agreed to, will lapse and become the property of SCCMHA.

Capitated Funding

As a result of the Medicaid rebasing and start-up of the Adult Benefit Waiver program in 2004, the amount of General Fund capitated funding was reduced from \$8,711,951 in fiscal year 2003 to \$6,928,366 in fiscal year 2004.

In order to facilitate the increased enrollment of eligible consumers into the Medicaid program, the collaboration between the Family Independence Agency and SCCMHA, has resulted in the placement of an FIA outstation worker at our 500 Hancock location. The accessibility of this outstation worker for our case managers and supports coordinators and contracted network participants should provide for a more timely approval process and a clear path for appeal of any application denials.

Simultaneously, the current general fund benefits are undergoing extensive review and restructure to eliminate any unnecessary usage of general fund revenues.

The general fund support of state facility costs, particularly for probated NGRI & IST patients (the costs for which shift to SCCMHA), remains a concern as the Authority has no control over these state facility admissions.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Saginaw County Community Mental Health Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, Saginaw County Community Mental Health Authority, 500 Hancock, Saginaw, MI 48603.

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
STATEMENT OF NET ASSETS**

SEPTEMBER 30, 2004

	<u>Enterprise Operating Fund</u>	<u>Internal Service Funds</u>	<u>Adjustments</u>	<u>Total Business-type Activities</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,878,829	\$ 1,682,728	\$ -	\$ 5,561,557
Investments	6,488,333	5,401,406	-	11,889,739
Receivables:				
Clients and insurance companies (net of allowance for doubtful accounts and settlement adjustments of \$280,932)	394,831	-	-	394,831
Due from Michigan Department of Community Health	908,966	-	-	908,966
Internal receivables	-	221,282	(221,282)	-
Inventory	12,639	-	-	12,639
Prepaid expenses	109,342	-	-	109,342
Noncurrent assets:				
Capital assets, net:				
Assets not being depreciated	480,000	-	-	480,000
Assets being depreciated	1,937,298	-	-	1,937,298
Total assets	<u>14,210,238</u>	<u>7,305,416</u>	<u>(221,282)</u>	<u>21,294,372</u>
Liabilities				
Current liabilities:				
Accounts payable	4,883,405	-	-	4,883,405
Due to Michigan Department of Community Health	1,417,055	-	-	1,417,055
Accrued liabilities	6,849	-	-	6,849
Internal payables	221,282	-	(221,282)	-
Deposits - Substance Abuse Coordinating Agency	125,537	-	-	125,537
Estimated claims payable	441,596	-	-	441,596
Accrued payroll and benefits	589,700	-	-	589,700
Notes payable - current	91,592	-	-	91,592
Compensated absences - current	137,529	-	-	137,529
Deferred revenue - Adult benefit waiver	822,471	-	-	822,471
Deferred revenue - Medicaid	1,320,632	-	-	1,320,632
Noncurrent liabilities:				
Notes payable	839,120	-	-	839,120
Compensated absences	137,529	-	-	137,529
Total liabilities	<u>11,034,297</u>	<u>-</u>	<u>(221,282)</u>	<u>10,813,015</u>
Net assets				
Invested in capital assets, net of related debt	1,715,707	-	-	1,715,707
Restricted for earmarked contributions	29,945	-	-	29,945
Restricted for retirement costs	-	157,072	-	157,072
Restricted for post-employment benefits	-	5,465,616	-	5,465,616
Restricted for risk of managed care	-	1,682,728	-	1,682,728
Unrestricted	1,430,289	-	-	1,430,289
Total net assets	<u>\$ 3,175,941</u>	<u>\$ 7,305,416</u>	<u>\$ -</u>	<u>\$10,481,357</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
STATEMENT OF ACTIVITIES AND
PROPRIETARY FUND REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Operating Fund	Internal Service Funds	Adjustments	Total Business-type Activities
Operating revenues				
Medicaid revenue	\$ 29,191,443	\$ -	\$ -	\$ 29,191,443
State general fund	7,769,164	-	-	7,769,164
Local revenue	1,388,618	-	-	1,388,618
Contributions	-	666,491	(666,491)	-
Grant revenue	566,061	-	-	566,061
Total operating revenues	38,915,286	666,491	(666,491)	38,915,286
Operating expenses				
Program expenses				
Children with Severe Emotional Disturbance Programs	2,365,383	-	(29,904)	2,335,479
Adults with Serious Mental Illness Programs	17,571,948	-	(222,051)	17,349,897
Developmental Disabilities Programs	17,314,786	-	(218,747)	17,096,039
Other populations	1,739,616	-	(21,992)	1,717,624
Unallocated costs	23,987	-	-	23,987
Non-program expenses				
P.A. 530 local funds transfer	509,649	-	-	509,649
Post employment health insurance	-	173,797	(173,797)	-
Total operating expenses	39,525,369	173,797	(666,491)	39,032,675
Operating income (loss)	(610,083)	492,694	-	(117,389)
Non-operating revenues (expenses)				
Transfers in	300,000	400,000	(700,000)	-
Transfers out	(400,000)	(300,000)	700,000	-
Rent	98,719	-	-	98,719
Interest revenue	133,146	201,319	-	334,465
Interest expense	(26,450)	-	-	(26,450)
Net appreciation in fair value of investments	-	178,507	-	178,507
Bay Connection maintenance expense	(98,337)	-	-	(98,337)
Total non-operating revenues (expenses)	7,078	479,826	-	486,904
Change in net assets	(603,005)	972,520	-	369,515
Net assets, beginning of year	3,778,946	6,332,896	-	10,111,842
Net assets, end of year	<u>\$ 3,175,941</u>	<u>\$ 7,305,416</u>	<u>\$ -</u>	<u>\$ 10,481,357</u>

The accompanying notes are an integral part of these financial statements

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Cash received from customers and others	\$ 39,404,873	\$ -
Cash received from other funds	-	879,270
Cash payments to employees	(7,344,383)	-
Cash payments to suppliers for goods and services	<u>(28,947,666)</u>	<u>(173,797)</u>
Net cash provided by operating activities	<u>3,112,824</u>	<u>705,473</u>
Cash flows from non-capital financing activities:		
Cash received from other funds	300,000	400,000
Cash payments to other funds	<u>(400,000)</u>	<u>(300,000)</u>
Net cash (used) provided by non-capital financing activities	(100,000)	100,000
Cash flows from capital and related financing activities:		
Proceeds from notes	195,000	-
Principal paid on notes	(85,725)	-
Interest paid on notes	(26,450)	-
Purchase of capital assets	<u>(770,211)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(687,386)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	133,146	201,319
Rent received	98,719	-
Payments for Bay Connection maintenance	(98,337)	-
Purchases of investments	<u>(493,922)</u>	<u>(885,949)</u>
Net cash used by investing activities	<u>(360,394)</u>	<u>(684,630)</u>
Net increase (decrease) in cash and cash equivalents	1,965,044	120,843
Cash and cash equivalents, beginning of year	<u>1,913,785</u>	<u>1,561,885</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,878,829</u></u>	<u><u>\$ 1,682,728</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (610,083)	\$ 492,694
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	523,909	-
(Increase) decrease in assets:		
Accounts receivable	63,560	-
Due from State of Michigan	(802,974)	-
Due from other funds	-	212,779
Inventory	446	-
Prepaid expenses	(33,675)	-
Increase (decrease) in liabilities:		
Accounts payable	1,873,146	-
Accrued liabilities	948	-
Estimated claims payable	134,847	-
Accrued payroll and benefits	174,905	-
Due to other funds	(212,779)	-
Accrued compensated absences	(13,306)	-
Deposits	40,456	-
Deferred revenue	<u>1,973,424</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 3,112,824</u></u>	<u><u>\$ 705,473</u></u>

The accompanying notes are an integral part of these financial statement

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for Saginaw County Community Mental Health Authority , (the “Authority”) established under Public Act 267 of 1976, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

A. Reporting Entity

As indicated above, the Authority is a Community Mental Health Authority serving the mental health and developmental disability needs of Saginaw County residents. Its Board of Directors is appointed by the County Commissioners of Saginaw County.

B. Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and the Statement of Activities and Proprietary Fund Revenues, Expenses and Changes in Fund Net Assets. The Authority’s only major fund is reported in a separate column in the aforementioned financial statements.

The operations of the Authority are accounted for as an Enterprise Fund (a proprietary fund) which is designed to be self-supporting. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The enterprise fund is the Authority's primary operating fund, and only major fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The internal service funds are used to account for and finance potential uninsured risks of loss related to various funding received through the Michigan Department of Community Health (MDCH), as well as for accounting for and financing post-employment health benefits and other selected retirement costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund and of the government's internal service funds are charges to customers for services. Operating expenses for the enterprise fund and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Equity

1. Deposits and Investments

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and amounts deposited in a pooled liquid asset account.

Michigan law authorizes the Authority to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

2. *Accounts Receivable*

Accounts receivable are shown net of an allowance for uncollectibles. Consumer accounts receivable and revenue are recorded when services are performed. A substantial portion of the Authority's receivables from services to consumers is received under contractual arrangements with Medicaid, Medicare and other commercial insurance programs, whereby the Authority is paid based on allowable costs incurred. The preliminary settlement of amounts due to the Authority is subject to redetermination upon audit by the applicable agency. An estimated provision is made for possible adjustments that may result from such reviews and any differences between the amounts accrued and amounts settled are recorded in operations in the period of settlement. Fee accounts receivable are shown net of an allowance for uncollectibles, which is based on management's estimate using collection history trends.

3. *Inventory*

Inventories are valued at cost. The costs of inventories are recorded as expenses when consumed rather than when purchased.

4. *Prepayments*

Payments made to vendors for services that will benefit periods beyond September 30, 2004, are recorded as "prepaid expenses" in the accompanying statement of net assets.

5. *Capital Assets*

Capital assets, which include property, plant and equipment are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Equipment	3-10
Machinery	5-12
Vehicles	3-10

6. Contract with Michigan Department of Community Health

The Authority has several account balances that relate to the Authority's contract with the Michigan Department of Community Health (DCH). The amount reported as "Due from Michigan Department of Community Health" reflects a receivable from the various grantor agencies for services provided under the contract for the year ended September 30, 2004 and amounts owed back to the Authority from the State as the result of the year end cost settlement. "Due to Michigan Department of Community Health" largely reflects amounts due to the State for clients of the Authority placed in state institutions.

7. Compensated Absences

Accumulated compensated absences (i.e., paid time off) are reported as expenses and liabilities of the Authority when incurred.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposits are carried at cost. Deposits of the Authority are at various banks in the name of the Authority's Finance Director. The deposit balance was as follows:

	<u>Carrying Amount</u>
Bank Deposits	\$ 5,560,237
Petty Cash	<u>1,320</u>
Cash and cash equivalents as reported in the statement of net assets	\$ 5,561,557
Long-term certificates of deposit	<u>1,006,073</u>
Total deposits	<u>\$ 6,567,630</u>

The bank balances are categorized to give an indication of the level of risk assumed by the Authority as year-end.

	<u>Bank Balances</u>
Amount insured by the FDIC	\$ 367,471
Uncollateralized and uninsured	<u>5,112,290</u>
Total bank deposits	<u>\$ 5,479,761</u>

B. Year End Investments

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year end.

Category 1 - Includes investments that are insured or registered, or securities held by the Authority or the Authority's agent in the Authority's name.

Category 2 - Includes uninsured and unregistered investments, with securities held by the counterparty's trust department or its agent in the Authority's name.

Category 3 - Includes uninsured and unregistered investments, with securities held by the counterparty, or the counterparty's trust department or agent but not in the Authority's name.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The carrying amount and fair value of investments are as follows:

<u>Investment Type</u>	<u>Fair Value/ Carry Amount</u>	<u>Category</u>
Commercial Paper	\$ 5,482,260	3
Uncategorized:		
Mutual Funds	<u>5,401,406</u>	
Total Investments	<u>\$ 10,883,666</u>	

C. Capital Assets

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activity				
Capital assets not being depreciated:				
Land	\$ 288,000	\$ 30,000	\$ -	\$ 318,000
Work in progress	<u>-</u>	<u>162,000</u>	<u>-</u>	<u>162,000</u>
Total capital assets not being depreciated:	<u>288,000</u>	<u>192,000</u>	<u>-</u>	<u>480,000</u>
Capital assets being depreciated:				
Buildings and improvements	6,320,073	187,926	(30,448)	6,477,551
Furniture and fixtures	1,535,725	12,045	(939,255)	608,515
Vehicles	396,900	63,720	-	460,620
Equipment	<u>638,817</u>	<u>314,520</u>	<u>(238,189)</u>	<u>715,148</u>
Total capital assets being depreciated	<u>8,891,515</u>	<u>578,211</u>	<u>(1,207,892)</u>	<u>8,261,834</u>
Less accumulated depreciation:				
Buildings and improvements	4,986,235	288,684	(30,448)	5,244,471
Furniture and fixtures	1,338,162	42,545	(939,255)	441,452
Vehicles	304,864	26,824	-	331,688
Equipment	<u>361,065</u>	<u>184,049</u>	<u>(238,189)</u>	<u>306,925</u>
Total accumulated depreciation	<u>6,990,326</u>	<u>542,102</u>	<u>(1,207,892)</u>	<u>6,324,536</u>
	Beginning			Ending

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Total capital assets being depreciated, net	\$ 1,901,189	\$ 36,109	\$ -	\$ 1,937,298
Business-type activity capital assets, net	\$ 2,189,189	\$ 228,109	\$ -	\$ 2,417,298

Commitments

The Authority has entered into two contracts to purchase a new accounting system and new software that is set to be operational in June 2005. The Authority is committed to expend an additional \$368,120 over the next 5 years for final installation and various maintenance and training agreements.

D. Long-Term Debt

The Authority's long-term debt as of September 30, 2004 is summarized as follows:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2004</u>	<u>Due Within One Year</u>
BUSINESS TYPE ACTIVITY					
Bay Connections Property Installment Contract - The installment purchase agreement dated May 15, 1998 has monthly payments which bear interest at 3.4%. The full faith and credit of the Authority along with the property itself has been pledged for principal and interest.	\$ 516,830	\$ -	\$ (61,578)	\$ 455,252	\$ 63,646
Gera Road Note Payable – The note dated December 20, 2002 has 60 monthly payments which bear interest at 3.42%. The full faith and credit of the Authority along with the property itself has been pledged for principal and interest.	153,820	-	(8,484)	145,336	8,797

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2004</u>	<u>Due Within One Year</u>
Riverfront Road Note Payable – The note dated April 1, 2003 has 57 monthly payments which bear interest at 3.13%. The full faith and credit of the Authority along with the property itself has been pledged for principal and interest.	150,787	-	(8,326)	142,461	8,607
Rambo Group Home Note Payable – The note dated December 1, 2003 has 48 monthly payments which bear interest at 3.236%. The full faith and credit of the Authority along with the property itself has been pledged for principle and interest.	-	<u>195,000</u>	<u>(7,337)</u>	<u>187,663</u>	<u>10,542</u>
Total notes payable	821,437	195,000	(85,725)	930,712	91,592
Accrued compensated absences	<u>288,364</u>	-	<u>(13,306)</u>	<u>275,058</u>	<u>137,529</u>
TOTAL LONG TERM DEBT	<u>\$1,109,801</u>	<u>\$ 195,000</u>	<u>\$ (99,031)</u>	<u>\$ 1,205,770</u>	<u>\$ 229,121</u>

The annual requirements to pay future principal and interest on the installment contract and notes payable debt are as follows:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 91,592	\$ 30,167
2006	94,774	26,986
2007	98,057	23,703
2008	459,380	11,376
2009	73,096	5,508
2010-2011	<u>113,813</u>	<u>3,427</u>
	<u>\$ 930,712</u>	<u>\$ 101,167</u>

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

III. OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (worker's compensation), as well as medical benefits provided to employees and retirees. During the year ended September 30, 2004, the Authority carried commercial insurance to cover all risk of losses other than those for medical benefits provided to employees and retirees. The Authority has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three years. The Authority is self-funded for health insurance subject to stop loss insurance limits so that the maximum amount of loss is fixed at a predetermined amount. This amount is provided in the Authority's annual budget.

The self-insurance program for health insurance is accounted for in the Enterprise Fund. An independent administrator (Blue Cross) is hired to process the daily claims. The Authority is responsible for individual claims up to \$25,000 per participant or \$6,356 times the number of participants in the aggregate. Blue Cross is responsible for paying the claims above this amount. There were no reductions of insurance coverage from the prior year. The Authority is also responsible for paying administrative charges and stop loss insurance premiums. The liability at the end of the year is based on claims already incurred and reported as provided by Blue Cross and on estimates of incurred but not reported claims as estimated by management which cannot exceed the stop loss insurance limits. Settled claims have not exceeded insurance coverage in any of the past three years.

The changes in the claims liability for the years ended September 30, 2003 and 2004 are as follows:

<u>Fiscal Year</u>	<u>Beginning of Period Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Period Liability</u>
2003	\$ 235,883	\$ 1,390,489	\$1,319,578	\$ 306,749
2004	306,749	1,371,577	1,236,730	441,596

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

B. Defined Benefit Pension Plan

Plan Description

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The Authority is required to contribute at an actuarially determined rate; the current rate of annual covered payroll is 11.96% for mental health workers, 38.93% for supervisors, 34.76% for non-union management, 8.78% for general non-union, and 0.00% for senior administrators. Employees are currently not required to contribute to the Plan. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

Annual Pension Cost

For the year ended September 30, 2004, the Authority's annual pension cost of \$255,002 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the Authority's December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 33 years.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/02	\$312,828	100%	\$0
9/30/03	235,557	100%	0
9/30/04	255,002	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$9,805,279	\$12,041,967	\$2,236,688	81%	\$2,046,683	109%
12/31/02	9,779,411	12,592,418	2,813,007	78%	1,995,040	141%
12/31/03	10,135,800	13,151,730	3,015,930	77%	1,743,312	173%

C. Defined Contribution Pension Plan

The Saginaw County Community Mental Health Authority Defined Contribution Pension Plan was established by the Authority to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is administered by a third party on behalf of the participants and their beneficiaries. At September 30, 2004, there were 156 plan members. Plan members may contribute either 0% or 3% of covered salary. The Authority is required to contribute either 6% or 9% of annual covered payroll, depending on the percentage being contributed by the employee. Plan provisions and contributions requirements are established and may be amended by the Authority Board. In accordance with the Plan contribution requirements, \$156,679 in employee contributions and \$493,399 in employer contributions were made for the year ended September 30, 2004.

D. Post-Employment Health Benefits

The Authority provides a post-employment group hospitalization plan provided proper application is made prior to retirement and the employee is a member of the plan on the date of retirement and the employee agrees to participate in a co-pay program. The co-payment is based on the employee's number of years of service. Retirees and dependents, age 65 and older, shall be converted to Medicare complimentary coverage. The Authority is advance-funding these post-employment health benefits on an actuarially determined basis and the current required contribution rate is up to 12.90% of covered payroll based upon the pessimistic assumption. There are no required contributions for employees at the present time. The benefit provisions and obligations to contribute are established by

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

the Board of the Authority.

For the year ended September 30, 2004, the Authority contributed \$666,491 to the plan, representing approximately 9% of covered payroll. The contribution was determined as part of the Authority's June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected long-term rate of unit premium increase of 25% per year initially, decreasing in future years to 4.5% per year, compounded annually, (c) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (d) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to promotion/longevity. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2003, the date of the latest actuarial valuation, was 30 years.

An analysis of the total post-employment health benefit obligation applicable to the Authority's employees as of June 30, 2003, (the latest date for which actuarial information is available) using the optimistic and pessimistic assumptions as outlined in the actuarial report is as follows:

	<u>Optimistic Assumption</u>	<u>Pessimistic Assumption</u>
Health benefit actuarially accrued liability for retirees and current employees	\$ 7,396,829	\$ 13,729,966
Net assets available for benefits, at fair value	<u>3,885,200</u>	<u>3,885,200</u>
Unfunded actuarial accrued liability	<u>\$ 3,511,629</u>	<u>\$ 9,844,766</u>

Currently, the Authority has 27 participants receiving benefits under the Plan. This is a result of the County of Saginaw covering all participants that had retired at the time the Authority separated from the County.

E. Adjustments

The adjustments presented on the Statement of Net Assets and Proprietary Fund Revenues, Expenses and Changes in Net Assets are required to eliminate inter-fund balances and activity between the Enterprise Fund, the Post-Employment Benefits and Managed Care Risk Reserve Internal Service Funds, for presentation of the government-wide financial statements.

F. Managed Care Reserve Fund

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Net assets in the Managed Care Reserve Internal Service Fund are restricted for future shortfalls between revenue and expenses.

Following is a schedule of changes in net assets of the Managed Care Risk Reserve Internal Service Fund:

Beginning balance	\$ 1,561,885
Additions	420,843
Deletions	<u>(300,000)</u>
Ending balance	<u>\$ 1,682,728</u>

G. Operating Leases

The Authority has entered into a lease agreement with a private company to operate a pharmacy within the Authority's building. The total rent revenue received from this agreement by the Authority for the fiscal year ended September 30, 2004 was \$18,000. The future rental payments to be received by the Authority are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>
2005	\$ 24,000
2006	<u>24,000</u>
Total	<u>\$ 48,000</u>

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**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
DETAIL SCHEDULE OF REVENUES - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Medicaid

Medicaid capitation	\$ 28,709,082
Adult benefit waiver	410,971
Children waiver fee for service	71,390
	<hr/>
	29,191,443
	<hr/>

State general fund

State general fund capitation	7,448,632
Carryforward of prior year State general fund	191,284
Categorical revenue	129,248
	<hr/>
	7,769,164
	<hr/>

Local

County match	1,050,303
Supplemental security income payments	851
Other local revenue	43,779
423 insurance billings	265,843
MI Child	27,842
	<hr/>
	1,388,618
	<hr/>

Grant revenue

566,061

Non-operating revenues

Rental - Bay Connection Commercial	98,719
Interest revenue	133,146
	<hr/>
	231,865
	<hr/>

Total revenue

\$ 39,147,151

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
 DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
 CHILDREN WITH SEVERE EMOTIONAL DISTURBANCE PROGRAMS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Inpatient</u>		<u>Residential</u>
	<u>State Institutions</u>	<u>Local Hospitals</u>	<u>Respite Care</u>
Operating expenses:			
Personal services	\$ -	\$ -	\$ -
Allocated employee benefits	-	-	-
Supplies	-	-	613
sub-total	-	-	613
Services and charges:			
Contracted services	132,652	435,511	23,878
Allocated costs	65	8,716	4,295
Insurance	-	-	-
Utilities	-	-	-
Repairs and maintenance	-	-	-
Other	-	-	749
Total Services and Charges	132,717	444,227	28,922
Depreciation	-	-	280
TOTALS	<u>\$ 132,717</u>	<u>\$ 444,227</u>	<u>\$ 29,815</u>

Outpatient		Case Management	
Wrap-Around	Outpatient Service Contracts	Home-based Services	Totals
\$ 42,527	\$ -	\$ 650,481	\$ 693,008
22,822	-	358,409	381,231
231	-	18,715	19,559
65,580	-	1,027,605	1,093,798
-	121,759	12,350	726,150
17,258	17,442	434,767	482,543
340	-	4,580	4,920
125	-	1,677	1,802
228	-	7,129	7,357
12,268	-	32,577	45,594
30,219	139,201	493,080	1,268,366
-	1,500	1,439	3,219
\$ 95,799	\$ 140,701	\$ 1,522,124	\$ 2,365,383

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
ADULTS WITH SERIOUS MENTAL ILLNESS PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Inpatient		Residential		
	State Institutions	Local Hospitals	Type A Residential	Type B Residential	SIP Program
Operating expenses:					
Personal services	\$ -	\$ -	\$ -	\$ -	\$ -
Allocated employee benefits	-	-	-	-	-
Supplies	-	-	-	9,152	-
sub-total	-	-	-	9,152	-
Services and charges:					
Contracted services	4,293,743	2,351,888	3,140,231	568,725	214,331
Allocated costs	3,035	72,163	28,955	3,341	947
Insurance	-	-	-	924	-
Utilities	-	-	-	-	-
Repairs and maintenance	-	-	-	17,678	-
Rents	-	-	-	47,129	-
Other	-	659	-	50	-
Total Services and charges	4,296,778	2,424,710	3,169,186	637,847	215,278
Depreciation	-	-	-	-	-
Total Operating expenses	4,296,778	2,424,710	3,169,186	646,999	215,278
Non-operating expenses:					
Interest expense	-	-	-	-	-
TOTALS	\$ 4,296,778	\$ 2,424,710	\$ 3,169,186	\$ 646,999	\$ 215,278

(Continued)

Residential	Clubhouse Programs	Outpatient	
Crisis Residential	Bayside Lodge	Crisis Center	Integrated Employment
\$ 85,008	\$ -	\$ 511,094	\$ -
47,137	-	232,375	-
145	-	4,054	-
132,290	-	747,523	-
343,879	250,832	13,832	16,146
29,355	75,209	247,437	1,348
148	1,103	2,983	-
94	-	4,617	-
3,481	-	8,277	-
10,787	-	-	-
13,881	5,000	26,597	-
401,625	332,144	303,743	17,494
-	28,195	1,453	-
533,915	360,339	1,052,719	17,494
-	11,556	-	-
<u>\$ 533,915</u>	<u>\$ 371,895</u>	<u>\$ 1,052,719</u>	<u>\$ 17,494</u>

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
 DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
 ADULTS WITH SERIOUS MENTAL ILLNESS PROGRAMS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Outpatient		
	Outpatient Services	Hispanic Program	Outpatient Service Contracts
Operating expenses:			
Personal services	\$ 273,187	\$ 17,111	\$ -
Allocated employee benefits	146,662	9,980	-
Supplies	158,402	-	-
sub-total	578,251	27,091	-
Services and charges:			
Contracted services	240,592	1,430	406,898
Allocated costs	201,435	12,264	70,172
Insurance	20,894	242	-
Utilities	251	-	-
Repairs and maintenance	-	-	-
Rents	-	-	-
Other	5,564	3,879	-
Total Services and charges	468,736	17,815	477,070
Depreciation	-	-	-
Total Operating expenses	1,046,987	44,906	477,070
Non-operating expenses:			
Interest expense	-	-	-
TOTALS	\$ 1,046,987	\$ 44,906	\$ 477,070

Case Management		
Community Support	PATH Grant	Totals
\$ 843,658	\$ 44,582	\$ 1,774,640
466,954	24,799	927,907
21,307	7	193,067
1,331,919	69,388	2,895,614
1,017,804	28,537	12,888,868
760,386	20,451	1,526,498
6,005	242	32,541
22	76	5,060
17,733	-	47,169
-	-	57,916
30,923	628	87,181
1,832,873	49,934	14,645,233
1,453	-	31,101
3,166,245	119,322	17,571,948
-	-	11,556
\$ 3,166,245	\$ 119,322	\$ 17,583,504

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
 DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
 PERSONS WITH DEVELOPMENTAL DISABILITIES PROGRAMS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Inpatient	Residential		
	State Institutions	Community Living	Type A Residential	Type B Residential
Operating expenses:				
Personal services	\$ -	\$ -	\$ -	\$ -
Allocated employee benefits	-	-	-	-
Supplies	-	209	241	37,564
sub-total	-	209	241	37,564
Services and charges:				
Contracted services	998,641	890,064	1,384,578	4,670,057
Allocated costs	1,055	47,661	16,129	41,460
Insurance	-	-	-	4,090
Utilities	-	-	-	861
Repairs and maintenance	-	-	-	66,396
Rents	-	-	-	302,046
Other	-	240	-	8,232
Total Services and charges	999,696	937,965	1,400,707	5,093,142
Depreciation	-	-	-	51,215
Total Operating expenses	999,696	938,174	1,400,948	5,181,921
Non-operating expenses:				
Interest expense	-	-	-	14,894
TOTALS	<u>\$ 999,696</u>	<u>\$ 938,174</u>	<u>\$ 1,400,948</u>	<u>\$ 5,196,815</u>

(Continued)

Family Support			
Respite Care	Family Skills	Enhanced Health Services	Children's Waiver
\$ -	\$ 43,839	\$ 291,378	\$ 12,965
-	24,146	167,069	6,899
-	27	141	55
-	68,012	458,588	19,919
58,685	32,428	303,787	340,623
5,593	35,664	240,205	47,404
-	242	1,954	84
-	-	-	-
-	-	-	-
-	-	-	-
-	1,578	13,272	3,468
64,278	69,912	559,218	391,579
-	-	-	-
64,278	137,924	1,017,806	411,498
-	-	-	-
<u>\$ 64,278</u>	<u>\$ 137,924</u>	<u>\$ 1,017,806</u>	<u>\$ 411,498</u>

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
PERSONS WITH DEVELOPMENTAL DISABILITIES PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Skill Building		Case Management	
	Integrated Employment	Skill Building Assistance	Support Coordination Services	Totals
Operating expenses:				
Personal services	\$ -	\$ 1,221,368	\$ 742,023	\$ 2,311,573
Allocated employee benefits	-	674,493	406,906	1,279,513
Supplies	-	16,846	8,510	63,593
sub-total	-	1,912,707	1,157,439	3,654,679
Services and charges:				
Contracted services	676,621	72,691	209,980	9,638,155
Allocated costs	451,302	2,123,026	419,326	3,428,825
Insurance	-	23,737	5,014	35,121
Utilities	-	4,498	-	5,359
Repairs and maintenance	-	15,263	-	81,659
Rents	-	38,600	-	340,646
Other	-	25,443	24,722	76,955
Total Services and charges	1,127,923	2,303,258	659,042	13,606,720
Depreciation	-	2,172	-	53,387
Total Operating expenses	1,127,923	4,218,137	1,816,481	17,314,786
Non-operating expenses:				
Interest expense	-	-	-	14,894
TOTALS	<u>\$ 1,127,923</u>	<u>\$ 4,218,137</u>	<u>\$ 1,816,481</u>	<u>\$ 17,329,680</u>

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
 DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
 OTHER POPULATIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Permanency Planning</u>	<u>OBRA/ PASARR</u>	<u>OBRA Active Care</u>
Operating expenses:			
Personal services	\$ 36,224	\$ 199,142	\$ 92,827
Allocated employee benefits	19,667	110,772	52,520
Supplies	<u>319</u>	<u>1,085</u>	<u>958</u>
sub-total	<u>56,210</u>	<u>310,999</u>	<u>146,305</u>
Services and charges:			
Contracted services	-	8,987	-
Allocated costs	8,175	54,834	61,199
Insurance	242	1,196	860
Utilities	-	78	177
Repairs and maintenance	-	2,109	676
Other	<u>2,176</u>	<u>3,921</u>	<u>6,244</u>
Total Services and charges	10,593	71,125	69,156
Depreciation	<u>-</u>	<u>535</u>	<u>535</u>
TOTALS	<u><u>\$ 66,803</u></u>	<u><u>\$ 382,659</u></u>	<u><u>\$ 215,996</u></u>

Collaborative Body	Substance Abuse	Totals
\$ -	\$ -	\$ 328,193
-	-	182,959
-	-	2,362
-	-	513,514
31,560	1,017,526	1,058,073
456	24,616	149,280
-	-	2,298
-	-	255
-	-	2,785
-	-	12,341
32,016	1,042,142	1,225,032
-	-	1,070
<u>\$ 32,016</u>	<u>\$ 1,042,142</u>	<u>\$ 1,739,616</u>

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
 DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
 UNALLOCATED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Board Administrative</u>	<u>Benefit Cost Pool</u>	<u>MHC</u>	<u>Management Information Services</u>
Operating expenses:				
Personal services	\$ 913,726	\$ -	\$ 60,600	\$ 163,516
Employee benefits	464,355	3,913,667	32,978	87,811
Supplies	<u>55,615</u>	<u>-</u>	<u>44,867</u>	<u>60,135</u>
sub-total	<u>1,433,696</u>	<u>3,913,667</u>	<u>138,445</u>	<u>311,462</u>
Services and charges:				
Contracted services	240,459	-	26,826	246,378
Allocated costs	335,141	-	-	15,067
Insurance	13,914	-	13,689	702
Utilities	3,293	-	132,195	830
Repairs and maintenance	28,440	-	120,321	49,096
Other	<u>87,696</u>	<u>-</u>	<u>116</u>	<u>7,770</u>
Total Services and charges	708,943	-	293,147	319,843
Depreciation	<u>17,806</u>	<u>-</u>	<u>220,782</u>	<u>136,697</u>
TOTALS	2,160,445	3,913,667	652,374	768,002
Allocated costs	<u>(2,136,764)</u>	<u>(3,913,667)</u>	<u>(652,374)</u>	<u>(768,002)</u>
UNALLOCATED COSTS	<u><u>\$ 23,681</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(Continued)

<u>Motor Pool</u>	<u>Recipient Rights</u>	<u>Towerline Building</u>	<u>Transportation</u>
\$ -	\$ 128,824	\$ 58,746	\$ 209,585
-	63,733	33,370	117,396
-	14,272	33,432	1,637
-	206,829	125,548	328,618
-	19,399	27,967	-
-	41,975	9,477	16,767
5,676	1,150	2,737	29,503
-	2,489	35,823	298
1,498	1,561	40,685	40,310
1,679	97,323	114,028	38,225
8,853	163,897	230,717	125,103
-	280	32,310	26,824
8,853	371,006	388,575	480,545
(8,853)	(371,006)	(388,575)	(480,545)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
DETAIL SCHEDULE OF PROGRAM EXPENSES - ENTERPRISE FUND
UNALLOCATED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Quality	Network Services	Total
Operating expenses:			
Personal services	\$ 398,173	\$ 235,196	\$ 2,168,366
Employee benefits	218,018	124,519	5,055,847
Supplies	5,995	3,010	218,963
sub-total	622,186	362,725	7,443,176
Services and charges:			
Contracted services	9,974	206,042	777,045
Allocated costs	53,276	48,845	520,548
Insurance	1,887	1,668	70,926
Utilities	1,392	61	176,381
Repairs and maintenance	570	-	282,481
Other	8,340	22,127	377,304
Total Services and charges	75,439	278,743	2,204,685
Depreciation	433	-	435,132
TOTALS	698,058	641,468	10,082,993
Allocated costs	(697,752)	(641,468)	(10,059,006)
UNALLOCATED COSTS	\$ 306	\$ -	\$ 23,987

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2004

	Retirement	Post-Employment Benefits	Managed Care Reserve	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 1,682,728	\$ 1,682,728
Investments	-	5,401,406	-	5,401,406
Due from other funds	157,072	64,210	-	221,282
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	157,072	5,465,616	1,682,728	7,305,416
Liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Net Assets				
Restricted for retirement costs	157,072	-	-	157,072
Restricted for post-employment benefits	-	5,465,616	-	5,465,616
Restricted for risk of managed care	-	-	1,682,728	1,682,728
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 157,072</u>	<u>\$ 5,465,616</u>	<u>\$ 1,682,728</u>	<u>\$ 7,305,416</u>

**SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Retirement</u>	<u>Post-Employment Benefits</u>	<u>Managed Care Risk Reserve</u>	<u>Total</u>
Operating revenues				
Contributions:				
Authority	\$ -	\$ 666,491	\$ -	\$ 666,491
Operating expenses				
Insurance	-	173,797	-	173,797
Operating income	-	492,694	-	492,694
Non-operating revenues (expenses)				
Transfers in	-	-	400,000	400,000
Transfers out	-	-	(300,000)	(300,000)
Interest	-	180,476	20,843	201,319
Net appreciation in fair value of investments	-	178,507	-	178,507
Total non-operating revenues (expenses)	-	358,983	120,843	479,826
Change in net assets	-	851,677	120,843	972,520
Net assets, beginning of year	157,072	4,613,939	1,561,885	6,332,896
Net assets, end of year	<u>\$ 157,072</u>	<u>\$ 5,465,616</u>	<u>\$ 1,682,728</u>	<u>\$ 7,305,416</u>

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Retirement	Post-Employment Benefits	Managed Care Risk Reserve	Total
Cash flows from operating activities:				
Cash received from other funds	\$ -	\$ 879,270	\$ -	\$ 879,270
Cash payments to suppliers for goods and services	-	(173,797)	-	(173,797)
Net cash provided by operating activities	-	705,473	-	705,473
Cash flows from non-capital financing activities:				
Cash received from other funds	-	-	400,000	400,000
Cash payments to other funds	-	-	(300,000)	(300,000)
Net cash provided by non-capital financing activities	-	-	100,000	100,000
Cash flows from investing activities				
Interest received	-	180,476	20,843	201,319
Purchases of investments	-	(885,949)	-	(885,949)
Net cash provided (used) by investing activities	-	(705,473)	20,843	(684,630)
Net increase (decrease) in cash and cash equivalents	-	-	120,843	120,843
Cash and cash equivalents, beginning of year	-	-	1,561,885	1,561,885
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,728</u>	<u>\$ 1,682,728</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ -	\$ 492,694	\$ -	\$ 492,694
Adjustments to reconcile operating income to net cash provided by operating activities:				
Decrease in assets				
Due from other funds	-	212,779	-	212,779
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 705,473</u>	<u>\$ -</u>	<u>\$ 705,473</u>



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

January 11, 2005

Members of the Board
Saginaw County Community
Mental Health Authority
Saginaw, Michigan

We have audited the financial statements of the *Saginaw County Community Mental Health Authority*, as of and for the year ended September 30, 2004, and have issued our report thereon dated January 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *Saginaw County Community Mental Health Authority* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Saginaw County Community Mental Health Authority's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Saginaw County Community Mental Health Authority Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

January 11, 2005

Saginaw County Community
Mental Health Authority
500 Hancock
Saginaw, MI

In planning and performing our audit of the financial statements of the ***Saginaw County Community Mental Health Authority*** for the year ended September 30, 2004, we considered the Authority's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (A separate report dated January 11, 2005, contains our report on the Authority's compliance and internal controls). This letter does not affect our report dated January 11, 2005, on the financial statements of the ***Saginaw County Community Mental Health Authority***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

COMMENTS AND RECOMMENDATIONS

I. UNAPPROVED PURCHASE ORDERS

While examining invoices and their corresponding purchase orders we noted a number of invoices that were being paid without the purchase order being approved by the appropriate level supervisor. We also noted that purchase orders were being completed after a purchase has been made. The Authority has policy and procedures in place that clearly state whom and at what level must approve a purchase order before a purchase can be made.

We recommend that the Authority enforce its policies and procedures to mitigate any further purchases from being made without the proper approval.

II. CREDIT CARDS

Per the department procedures policy, vendor credit cards are to be kept by the finance department until the time a purchase is to be made. We were informed that an employee of the Authority has in their possession at all times a Lowe's credit card. The reasoning for this employee to maintain this credit card is that this employee routinely works on the weekends and at various locations throughout the County, therefore it is necessary to retain this credit card.

The Authority has several options that we recommend be implemented:

- A. Change the department procedures policy to state that certain employees may have in their possession at all times certain vendor credit cards.
- B. Have the employee return the credit card to the finance department, and follow the Authority's policy of requesting it each time the credit card is needed.
- C. Issue a separate credit card to this employee so that each purchase that is made with the credit card can be tracked more easily.

III. ACCOUNTS RECEIVABLE (REPEAT COMMENT)

During our audit procedures it was noted that the accounts receivable balance on the aging schedule does not agree to the general ledger balance. After further testing it was determined that the aging report is updated each time an encounter is posted, but the general ledger is updated only once after a period close-out. We noted that encounters

SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

COMMENTS AND RECOMMENDATIONS

that occurred in September 2004 were still being posted to the aging report after the end of the fiscal year.

We recommend the Authority implement procedures to ensure that patient encounters are posted in a timely manner and that the general ledger receivable balance is properly reconciled to the aging report.

IV. POST-EMPLOYMENT TRUST FUND

Currently the Post-employment Benefits Internal Service fund investments are not being held in a legally established trust account. By not establishing a separate legal trust for these investments the use of these investments is not legally restricted for post-employment benefits.

We recommend that the Authority contact a financial institution so that a trust can be established to maintain these investments and restrict their use.